



MANAGEMENT OF CELLULAR TELEPHONES AT STATE AGENCIES

**From The Office Of State Auditor
Claire McCaskill**

*State agencies can better manage
cellular telephones to ensure use
is efficient and cost effective.*

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PERFORMANCE AUDIT



Office of
Missouri State Auditor
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Better monitoring of state employee cellular telephone use could reduce costs

State officials spent about \$2.5 million on cellular telephone costs in fiscal year 2000. This audit examined how effectively state agencies manage cellular telephone use and found no assurance that employees are enrolled in the most cost-effective plans or that telephones are fully utilized. Auditors reviewed cellular telephone policies at 16 state agencies and made detailed reviews of billing plans at seven organizations within four agencies. The following highlights the findings:

Employee cellular telephone plans not matched to usage

Audit tests showed that some employee cellular telephone plans did not match their usage patterns. Agencies would place employees in light-, medium- or heavy-user plans, which each designated a number of “free” minutes per month. But auditors found several instances of employees using the telephone beyond their plan, which resulted in significant additional charges. Almost half the cellular telephone costs paid by the seven organizations in this audit were not covered by the individuals’ plan. In some cases, state officials paid double what they would have if they had upgraded an employee to a higher - use plan. (See page 3)

One division did not know who used cellular telephones

Users of 16 telephones at one division could not be identified by organization officials. This finding prompted the division to suspend the contracts on these telephones which cost \$1,751 in fiscal year 2000. In addition, \$7,126 was spent on telephones that were used one-half the time or less. (See page 5)

Telephone billing errors go unquestioned

Audit tests found many instances of agency personnel not noting incorrect charges, paying bills late and misclassifying telephone expenses. For example, agency officials paid and did not question bills without call-by-call data. In addition, one organization had a \$21,601 delinquent balance for cellular telephone use. (See page 9)

No assurance all personal calls are reimbursed

Agency personnel do not always review bills for personal calls or require employees to reimburse the state for such use. One organization relied on employees to verbally note personal calls and reimburse the agency. Another organization sent bills to employees for reimbursement, but the personal calls were not identified on the bill, which made reconciliation difficult. (See page 11)

YELLOW SHEET

Some agencies lack guidance on telephone management

Nine of the 16 state agencies in this audit did not have guidance to manage telephone use and four of the remaining seven had inadequate policies. Inadequate policies included one agency that only addressed reimbursing employees for business calls made on personal cellular telephones. In addition, only two of the 16 agencies had performed an internal review of cellular telephones. (See page 13)

Agency officials unaware of extensive local service provider use

Agency officials can purchase cellular telephones from four statewide contractors or contract on their own when costs are expected to total less than \$25,000. However, Office of Administration officials, charged with monitoring expenditures statewide, were not aware the extent agencies used local providers. One agency paid up to 18 different cellular telephone vendors in 1 year. Making it too easy for agencies to contract with local providers has negated the effectiveness of statewide contracts. (See page 16)

MANAGEMENT OF CELLULAR TELEPHONES AT STATE AGENCIES

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR’S REPORT	1
RESULTS AND RECOMMENDATIONS.....	2
1. Cellular Telephone Plans for State Agencies Could Be More Cost-Effective and Cellular Telephones Could Be Used More Efficiently	2
Conclusions	7
Recommendations.....	7
2. Reviews of Cellular Telephone Charges Need Improvement.....	9
Conclusions	12
Recommendation	12
3. Oversight of Organization Actions Needs Improvement.....	13
Conclusions.....	16
Recommendations.....	16
APPENDIXES	
I. OBJECTIVE, SCOPE AND METHODOLOGY	18
II. BACKGROUND	21
III. TABLE OF RESULTS—AGENCY CELLULAR TELEPHONE POLICIES	22
IV. DEPARTMENTAL RESPONSES TO FACTS IN REPORT	23



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The State Auditor's Office performed an audit of cellular telephone practices at selected state agencies. The purpose of the audit was to determine whether agency officials have provided adequate oversight of the management and procurement of cellular telephone services. Specific objectives included determining whether agencies (1) placed employees in the most cost-effective cellular telephone plans, (2) monitored cellular telephone use, (3) adequately reviewed cellular telephone billings, and (4) adequately supervised organization practices.

We concluded that improvements are needed in the management and oversight of cellular telephones. Agency personnel responsible for procuring and administering cell phones have not always (1) assured that individuals using cell phones have the most cost-effective cell phone plans or that cell phones have been fully utilized, and (2) identified billing errors, paid charges on time, and required employees to reimburse personal phone calls. In addition, agency officials have not effectively overseen the procurement and administration of cellular telephones and Office of Administration officials have not monitored procurement practices of agency personnel.

The audit was conducted in accordance with applicable standards contained in the *Government Auditing Standards* issued by the Comptroller General of the United States and included such tests of the procedures and records that were considered appropriate under the circumstances.

Claire McCaskill
State Auditor

March 27, 2001 (fieldwork completion)

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RESULTS AND RECOMMENDATIONS

1. Cellular Telephone Plans for State Agencies Could Be More Cost-effective and Cellular Telephones Could Be Used More Efficiently

State agencies' controls over use of cellular telephones and payments for cellular telephone services were not adequate. Because agency managers have not analyzed usage and cost data from monthly cellular telephone statements, there is no assurance that (1) employees are enrolled in the most cost-effective plans and (2) cellular telephones are fully utilized. As a result, agencies have incurred unnecessary cellular telephone charges and in one case, agency officials did not know who used the telephones.

Background

Purchasing officials from the Office of Administration administer statewide contracts to procure goods and services used by state agencies. Officials contract for goods and services to secure the most favorable contract terms, and reduce state agency costs. Office of Administration officials have four statewide contracts with cellular telephone services. Usually, state agencies are required to use statewide contracts; however, agency personnel have the option to contract for cellular telephone services, when costs are expected to total less than \$25,000. Contracted services valued at \$3,000 or more must be bid on a competitive basis. (*See Appendix II, page 21, for additional information.*)

Audit Procedures

Cellular telephone costs for the state during the period July 1, 1999, through June 30, 2000, were \$2,474,620. To determine how effectively cellular telephone plans were managed, we selected invoices from 16 state agencies and their organizations (*see Appendix III, page 22*) and reviewed the agency policies for cellular telephones. For purposes of this report, the term "organization" refers to an agency division, sub-agency, or subordinate site location. We made detailed reviews of billings and plans at seven organizations within four state agencies (*see Appendix I, page 18*) that were selected because we were able to obtain records from their contractors.

Organization personnel need to ensure that cellular telephone plans are cost-effective

Analyses of cellular telephone accounts for seven agency organizations that used a statewide contract revealed that many employees incurred significant costs for cellular telephone calls that were not covered by the contract rate in the state plans. These additional costs included local usage, roaming, and toll fees.

Table 1.1: Examples of Additional Costs Incurred

Agency Organization	Additional Costs	Total Cellular Costs	Percent of Total Costs
Conservation-Northeast Region	\$ 8,115	\$ 13,148	62
Conservation-Southeast Region	9,964	20,987	47
Conservation-Central Region	2,334	5,391	43
Conservation-Design and Development	9,141	18,678	49
Division of Family Services-St. Louis Office	11,328	25,642	44
Missouri State Water Patrol	1,732	5,103	34
Mental Retardation Developmental Disabilities-Certification Program	10,700	21,495	50
Totals	\$53,314	\$110,444	48

Source: Agency records of telephone calls

As shown in table 1.1, over \$53,000, or almost one-half, of the total costs incurred by employees at these organizations were not covered by the individuals' plans under a statewide contract.

Telephone service plans need to be reviewed and changed

Organization personnel responsible for the review and payment of cellular telephone services stated they analyzed cellular usage from one to four times a year. However, our analysis of 12 months' usage data for each of these organizations revealed that very few, if any, changes were made to cellular plans. For example, five of the seven organizations reviewed made no changes to cellular telephone plans for the 12-month period analyzed. In addition, personnel at one organization stated that it was time consuming and involved too much paperwork to change cellular telephone plans. However, a representative for one of the statewide service providers stated that organization personnel could initiate a change to another cellular telephone plan over the telephone.

5 of 7
organizations
did not change
plans

Organization personnel incurred additional costs that could have been avoided if cellular telephone plans had been reviewed and changed. Audit tests disclosed that some employee plans did not match their usage patterns. Either the employee plan or the employees' use of the telephones was not proper. The problems noted should have been disclosed by personnel that review the plans.

At Department of Conservation locations:

- One site had 37 of 40 cellular telephones in the "medium-user" plan for a monthly fee of \$18 per telephone that included 80 free peak minutes. However, our analysis showed that 10 of these cellular telephones incurred average monthly costs greater than \$50, with the highest average cost being \$87 per month.

- At another site, organization personnel included an employee in the “medium-user” plan at a monthly rate of \$18. However, the employee used the cellular telephone an average of 763 minutes a month and incurred an average monthly cost of \$128.
- At a third site, organization personnel included an employee in the “heavy-user” plan at a monthly rate of \$27 with 150 free peak minutes. However, the employee used the cellular telephone an average of 740 minutes and incurred an average monthly cost of \$181.

Employees at one Department of Mental Health site incurred similar monthly costs for cellular telephone service. However, none of the employees had been included in a plan that accommodated the employee’s usage. See examples below:

- The agency placed an employee in the “light-user” plan, which cost \$11.50 per month and included 30 free peak minutes per month. However, the employee used the cellular telephone an average of 536 minutes per month and incurred an average monthly cost of \$137.
- The agency placed another employee in the “medium-user” plan that cost \$18 per month and included 80 free peak minutes per month. The employee used the cellular telephone an average of 329 minutes per month and incurred an average monthly cost of \$121 over a period of 11 months.
- Organization personnel included another employee in the “heavy-user” plan that cost \$27 per month and included 150 free peak minutes per month. However, the employee used the cellular telephone an average of 492 minutes per month and incurred an average monthly cost of \$148 over a period of 7 months.

The majority of employees at one Department of Social Services site had been placed in the “light-user” plan at a cost of \$11.50 per month. However, our analysis revealed that some employees incurred significant additional charges. See examples below:

- One employee used a cellular telephone an average of 997 minutes per month and incurred an average monthly cost of \$180 over a 10-month time frame.
- Another employee used a cellular telephone an average of 602 minutes per month and incurred an average monthly cost of \$107 over a 10-month time frame.

For all of these examples, agencies could have put employees in more cost-effective plans. Those in the medium-user plans that consistently incurred time and minutes above the plan’s parameters could be moved to a higher-use plan to fit their usage patterns.

Statewide contract provided few alternatives for cellular telephone users

Personnel at the seven organizations reviewed incurred additional costs that were not covered by the individual cellular telephone plans they were using. However, further analysis of the statewide contract used by these organizations revealed that the plans offered limited options for users.

Table 1.2: Options Available Under Statewide Plan

Type Plan	Free Peak Minutes	Monthly Cost
Emergency	10	\$ 8.75
Light-use	30	11.50
Medium-use	80	18.00
Heavy-use	150	27.00
Very-heavy use ¹	720/1440	99.95

Note: ¹Two options were available to users—one provided 720 minutes of free nationwide coverage, and the other provided 1,440 minutes local and expanded service areas.

Source: Contract files in Office of Administration

As shown above, this contract does not provide options between the 150 and 720 minute plans. Personnel at the seven organizations frequently incurred additional costs because they had used 300 to 600 minutes per month; therefore, if organization personnel wanted to upgrade the employees' plans, they would have to enroll the employees in the most expensive plan, which cost \$99.95.

Upon expiration of the statewide contract, purchasing officials had the option to either extend the contract for a year or terminate the contract and re-bid the services. They chose to extend the contract before analyzing the market for the availability of more cost-effective plans.

A market analysis was needed

Division of Family Services personnel did not ensure cellular telephones were fully utilized

Analysis of the vendor records of telephone calls for a 12-month period disclosed that some telephones had not been used during the period and others had not been used very much. Since these telephones were on monthly billing plans, division personnel paid for services they did not use.

Table 1.3: Utilization for One Division of Family Services Organization

Number of Months Telephones Were Used	Number of Cellular Telephones ¹	Total Cost of the Cellular Telephones
0	12	\$1,751
3 or less	17	2,703
6 or less	18	4,423
Total	47	\$8,877

Note: ¹Thirty-three of the cellular telephones were activated for the full 12 months and 14 were activated for 10 months.

Source: Vendor telephone records

Organization personnel incurred \$1,751 for telephones that were never used and an additional \$7,126 for cellular telephones that were used one-half of the time or less.

Division of Family Services personnel had no control of cellular telephones at one location

Analysis of usage data for the same Division of Family Services site revealed that personnel had requested that the statewide service provider suspend services on three cellular telephones, because the telephones were reported as lost or stolen. Furthermore, inquiries during this audit prompted the division to suspend an additional 16 cellular telephones because they could not identify telephone users. When a customer requests that services for cellular telephones be suspended, the telephone company disconnects service so that calls cannot be placed or received. However, the customer continues to pay the recurring monthly fee for the telephone because the service was suspended rather than canceled.

The division paid approximately \$463 (\$12.50 per month for a total of 37 months) in cellular telephone expenses for lost or stolen cellular telephones because personnel had not canceled service. Agency personnel responsible for suspending cellular telephone services did not know why services had not been canceled.

Users of 16 of 93, or 17 percent, cellular telephones could not be identified. No one at the organization was assigned to monitor cellular telephones and usage. Table 1.4 displays cellular telephones that were suspended as of March 15, 2001, because the users could not be identified.

Personnel did not know who had cellular telephones

**Table 1.4: Usage for Suspended Cellular Telephones
Because User Could Not Be Identified**

Cellular Telephone	Date Suspended	Minutes Used Prior to Suspension
#1	August 2000	5,361
#2	January 2001	465
#3	March 2001	482
#4	March 2001	702
#5	March 2001	1,245
#6	March 2001	0
#7	March 2001	1,089
#8	March 2001	68
#9	March 2001	0
#10	March 2001	794
#11	March 2001	1,208
#12	March 2001	248
#13	March 2001	344
#14	March 2001	30
#15	March 2001	0
#16	March 2001	17

Source: Division of Family Services telephone inventory records

Conclusions

State agency organizations have not properly managed cellular telephones. Cellular telephone plans for employees were not as cost-effective as they could be and employees were not properly monitored for efficient telephone use. Market analyses were needed before proceeding with contract renewals.

Recommendations

We recommend the Commissioner, Office of Administration:

- 1.1 Require executive agency officials to establish procedures to ensure organization personnel are placed in the most cost-effective plans and that they properly monitor telephone usage.
- 1.2 Conduct market analyses before renewing statewide cellular telephone contracts.
- 1.3 Re-examine the plans on statewide contracts to determine if they meet the needs of state agency organizations. Of particular concern is the gap between the heavy-use plan and the very-heavy use plan.

Office of Administration Comments

- 1.1 *The Office of Administration will convene an interdepartmental work group to develop and recommend procedures for the use of cellular telephones. Based on the recommendation of the work group, the Commissioner will issue the procedures to executive agency officials.*
- 1.2 *The Office of Administration, Division of Purchasing & Materials Management (DPMM) will evaluate the feasibility of conducting a market analysis before renewing statewide cellular telephone contracts.*
- 1.3 *The Office of Administration concurs and is presently reviewing plan requirements prior to issuance of a new cellular telephone contract.*

2. Reviews of Cellular Telephone Charges Need Improvement

Personnel that manage cellular telephones should be more diligent in reviewing expenditures. Audit tests at 16 state agencies and subordinate organizations showed that personnel did not:

- ✓ Identify incorrect cellular telephone charges or billing errors.
- ✓ Ensure timely payment of cellular telephone charges.
- ✓ Ensure employees reimbursed the agency for personal telephone calls.
- ✓ Identify misclassified cellular telephone expenses.

This occurred because reviews of monthly cellular telephone statements were not thorough and not properly documented. As a result, unnecessary expenses for cellular telephones occurred and managers cannot be assured, in all cases, that agency employees have identified and reimbursed costs for personal telephone calls.

Potential billing errors were not questioned by agency personnel

At 2 of 16 organizations included in audit tests, personnel paid cellular telephone bills based on incomplete billing information. For example, a service provider billed one Department of Public Safety organization for a total of 1,038 minutes for one cellular telephone, but the monthly statement only contained detailed information for calls totaling 592 minutes. Organization personnel stated that they review monthly statements prior to paying the bill; however, there was no evidence that personnel had questioned the difference of 446 minutes that was not documented on the bill. At a Department of Mental Health organization, we noted additional examples on a billing statement that included only total minutes for calls rather than call-by-call data, which personnel indicated had been reviewed.

Personnel paid charges without proper support

- A bill for one cellular telephone included 1,484 total minutes.
- Another cellular telephone on the same billing statement included 582 minutes.

The bills were paid without questioning the lack of call-by-call data. Personnel did not have an explanation for not questioning the bills.

One organization has significant delinquent cellular telephone charges

Personnel within the Office of Adjutant General, Department of Public Safety, paid 6 months' cellular telephone charges at one time and still had outstanding balances. Personnel responsible for cellular telephone reviews stated that the organization was late paying these charges because the National Guard Bureau, rather than the Office of Adjutant General, was supposed to begin paying these costs. This issue took several months to resolve according to organization personnel. Information supplied by a representative of the statewide service provider showed that this organization had a delinquent balance of \$21,601 as of March 21, 2001.

\$21,601 in charges has not been paid

Of this total, \$2,251 represented balances owed on closed accounts, and payments had not been made on the closed accounts since July 2000. The Adjutant General representative responsible for cellular telephone billings did not know about the delinquent balances on the closed accounts and could not explain the \$19,350 outstanding balance on the active account. Table 2.1 depicts the amounts owed for these accounts.

Table 2.1: Amounts Owed on Accounts

Date of Last Payment	Past Due Balance	Account Status
7/19/00	\$ 846	Closed 4/11/00
7/19/00	701	Closed 4/11/00
7/19/00	704	Closed 4/11/00
3/10/01	19,350	Active
Total	\$21,601	

Source: Billing records from statewide service provider

We analyzed charges and payments on the active account, as shown on the cellular telephone vendor's records, to reconcile the past due amount. Table 2.2 presents the account activity that resulted in the outstanding balance of \$19,350.

Table 2.2: Analysis of Past Due Amount on Active Account

Date	Charges per Vendor	Payment per Vendor	Past Due Amount
November 1999	\$2,560	\$1,467	\$1,092
August 2000	5,915	-0-	5,916
December 2000	6,000	-0-	6,000
February 2001	6,342	-0-	6,342
Totals	\$20,817	\$1,467	\$19,350

Source: Telephone vendor records

Organization personnel performed an analysis of payment history after we brought this matter to their attention. From the analysis, personnel indicated that the payment made for November 1999 cellular charges was \$2,560 and that the cellular telephone vendor improperly applied a payment during this month. Furthermore, organization personnel noted that a payment in the amount of \$6,000 was made for December 2000 cellular charges, but the check never cleared.

A representative of the cellular telephone vendor indicated that during June 2000, personnel within the Office of Adjutant General requested a payment trace be performed. This had been requested because a past due balance appeared on the statement and vendor personnel fulfilled the request at that time. However, when we inquired about past due amounts, organization personnel were not aware of the balances, even though the amounts were indicated on the monthly statements. Furthermore, they had not noticed that the payment for November 1999 or December 2000 had not been properly credited on their cellular telephone statement.

Personnel at several organizations did not ensure reimbursement of personal calls

Personnel at the Sikeston Regional Center, Department of Mental Health said they do not review cellular telephone statements. Instead, organization personnel relied on cellular telephone users to notify an account clerk about personal calls and reimburse the agency. At the St. Louis Division of Family Services, Department of Social Services personnel indicated that not all bills were reviewed because of the large number of statements received.

Agency personnel do not always review bills

At another Department of Mental Health organization, personnel stated they send copies of invoices to employees so that the employees can identify and reimburse the organization for personal calls. We noted that reimbursements were made for personal use of cellular telephones; however, personal calls were not identified on the invoice submitted to the Office of Administration for payment. Therefore, the amount reimbursed could not be reconciled to the actual calls on the statement, which made it difficult for personnel to ensure all personal calls were reimbursed.

Other expenses were misclassified as cellular telephone expenses

Organization personnel at the Departments of Mental Health, Public Safety, and Conservation made errors in coding cellular telephone expenses in the state's accounting system. As a result, the total reported cellular telephone expenses for the state was overstated. Expenses are normally charged to an object code, which identifies the type of expense. For example, Office of Administration personnel have assigned object code 2412 for cellular telephone expenses. Audit tests of charges to this object code disclosed expenses unrelated to cellular telephones. These expenses amounted to less than \$500 each at the Departments of Mental Health and Public Safety. However, organizations within the Department of Conservation incorrectly charged approximately \$22,300 of expenses to the cellular telephone object code as shown in table 2.3.

Table 2.3: Examples of Charges Incorrectly Classified as Cellular Expenses at The Department of Conservation

Vendor Name	Type of Procurement	Charges
Corporate Express	Office supplies	\$17
Data Communications Inc.	Internet services	585
Deems Farm Equipment Co.	Equipment	600
GE Capital-Erlanger	Computer hardware	16,544
Goodyear Auto Center-Atlanta	Tires	1,133
Jefferson City Auto Supply	Automotive maintenance	689
Payless Cashways-Blue Springs	Lumberyard materials	1,477
Moore Equipment Co.	Equipment	555
West Group	Internet services	285
University of Missouri-Columbia	Computer support services	442
Total		\$22,327

Source: Department of Conservation accounting record entries

Organization personnel are responsible for identifying and classifying costs for goods and services and then submitting documentation to the Office of Administration for payment. Prior to submission for payment, organization personnel and management are required to review documentation for appropriateness and proper classification. Organization and agency personnel believe the expenditures shown above were reviewed; however, the incorrect charges were not identified prior to submission to the Office of Administration. Office of Administration officials stated that agency personnel should have identified the incorrectly categorized charges.

Conclusions

Employees responsible for ensuring proper billings for cellular telephone use need to do a better job of reviewing individual statements. Delinquent payments and the inability to determine if personal calls have been properly reimbursed indicate a weakness in internal controls. Without proper review and control over cellular telephones, responsible personnel cannot attest to the accuracy of payments.

Recommendation

We recommend the Commissioner, Office of Administration, instruct agency executives to:

- 2.1 Establish policies and procedures that ensure organization personnel adequately review monthly cellular telephone statements to detect billing errors, monitor reimbursement for personal telephone calls and properly classify cellular telephone expenses in accounting records.

Office of Administration Comments

- 2.1 *The Office of Administration will convene an interdepartmental work group to develop and recommend procedures for the use of cellular telephones. Based on the recommendation of the work group, the Commissioner will issue the procedures to executive agency officials.*

3. Oversight of Organization Actions Needs Improvement

Improvements in the oversight of procurement and administration of cellular telephones are needed because most agency officials have not:

- ✓ Provided guidance to agency personnel responsible for the procurement and administration of cellular telephone services (where guidance was provided it was not adequate).
- ✓ Monitored cellular telephone activities conducted by subordinate organizations.

Office of Administration officials have not monitored procurement and administrative practices of agency organizations contracting for cellular telephone services and were not aware of the extent of local procurements of services. As a result, organization personnel were independently procuring and administering local cellular telephone services. Agency and Office of Administration officials have exercised little control over cellular telephone practices and have not been aware of problems emerging in the procurement and management of cellular telephone services.

Agency officials have not provided adequate guidance to organizations

Nine of 16 agencies did not have guidance regarding the management of cellular telephones services. (*See Appendix III, page 22, for a listing of these agencies.*) Four of the seven remaining agencies did not have adequate policies. The following are examples of deficiencies in agency's guidance.

9 of 16
agencies did
not have
guidance

- The Department of Elementary and Secondary Education's policy consisted of a user agreement, which covered only "pooled" cellular telephones shared by employees. There was no policy for other cellular telephones used by management personnel.
- The Department of Mental Health's policy allowed personal cellular calls to be made if the call was charged to a credit card or home telephone number. However, when this occurred, the employee used air time and the policy did not address reimbursement for this time.
- The Department of Social Services' policy only addressed instances in which individuals would be reimbursed when using their personal cellular telephones to make business calls.

Guidance by 4
of 7 agencies
was not
adequate

At the three remaining agencies, the Departments of Health, Revenue, and Corrections, guidance included a number of essential elements to better control the use of cellular telephones. The following is an example of guidance issued by the Department of Health:

- Cellular telephone bills shall include detail of all calls.
- Internal controls shall be developed to restrict personal use and ensure reimbursement of personal calls.
- Supervisors shall review and approve all calls with a statement on the invoice to note the review.
- Employees shall reimburse the department for personal calls occurring during periods of free usage.
- Corrective action shall be taken regarding excessive personal use of cellular telephones.
- Reimbursement shall be made on personally owned cellular telephones.

Most agencies have not monitored organization practices

Only two of 16 agencies had performed internal reviews of cellular telephone services at agency organizations. The following highlights internal audit findings by the two agencies:

Personnel at the Department of Social Services reviewed cellular telephones at the Division of Family Services and issued a report dated December 20, 1999, noting:

- Inadequate cellular telephone policies.
- Discrepancies regarding the total number of cellular telephones used.
- Lack of support to show that usage was monitored.
- Untimely delivery of accounting procedures and policies.
- Cellular telephone plans were not the most economical plans available.

Internal audit
highlighted
similar
problems

According to the Director of Division of Family Services, personnel have only implemented two of seven corrective actions in the 14 months since the internal report was issued. The Division compiled a list of every cell phone to include the telephone number, serial number, tag number, and identified the plan used for the telephones. They also issued six memorandums to clarify the cellular telephone policy. *(See pages 5-7 of this report for a discussion of findings relating to one Division of Family Services location.)*

Personnel within the Audit and Business Analysis Division of the Missouri Department of Transportation issued an internal audit report in June 2000 regarding cellular telephones. The report noted:

- Cellular telephone policies were not adequate.

- Use of cellular telephones was not monitored.
- Department personnel did not periodically compare cellular telephone usage patterns to the package purchased for each user.
- Errors on billing statements that went undetected such as duplicate charges for monthly services and charges for roaming when no roaming calls were listed on the statement.
- The department was not reimbursed for personal calls.

Department of Transportation personnel stated that changes were being made to policies and procedures to address problems noted by internal auditors.

Office of Administration personnel have not reviewed procurement practices

Eight of 16 organizations used local or a combination of both state and local providers for cellular telephone services. Three of these eight organizations did not follow Office of Administration procurement guidance. However, Office of Administration officials were not aware of this because they had not reviewed procurement practices at agencies and organizations. Office of Administration guidance prohibits agencies and organizations from procuring contracts for a period greater than 12 months and requires agency personnel to competitively bid contracts that exceed \$3,000. The following examples illustrate instances in which agency personnel did not follow that guidance.

Procurement
guidance was
not followed

- One Department of Mental Health organization had 14 local contracts for cellular telephone services; 10 were 2-year contracts. Personnel could not locate any of the contracts and could only obtain 12 of the 14 contracts from the local provider.
- A Department of Conservation organization entered into a cellular telephone contract with a local service provider for a period of 2 years.
- Another Department of Conservation organization spent \$3,200 on local cellular telephone services but did not competitively bid these services.

Compliance personnel within the Office of Administration's Division of Purchasing have performed compliance reviews of procurement procedures at organizations; however these reviews did not include cellular telephone procurement. Office of Administration officials stated that compliance reviews are conducted to determine whether agency personnel comply with Office of Administration procurement procedures. If agency personnel do not comply, Office of Administration officials can revoke an agency's procurement authority.

Compliance
audits have
not been done

Office of Administration personnel were not aware of the extensive use of local service providers

The Department of Public Safety made payments to as many as 18 different cellular vendors during a period of 1 year. Purchasing officials within the Office of Administration's Division of Purchasing and Materials Management were not aware of the extent of local procurements. Division officials entered into four separate statewide contracts with cellular telephone vendors, but did not require agencies to use these contracts. Division officials stated they decided not to make the use of the statewide contracts mandatory because cellular telephone users (1) wished to use the same cellular vendor as their contractors so calls between cellular telephones were free, (2) could not receive a cellular signal in certain areas, and (3) preferred certain features, which were not available from the statewide contracts.

Discussions with organization personnel responsible for procuring cellular telephone services revealed that, in some cases, personnel had valid reasons for procuring services locally. For example, personnel at one location stated that reception was extremely poor in their area so they decided to use a local provider. However, several organizations were procuring locally because it was "more convenient." For example, a telephone switchboard operator acted as the cellular telephone procurement officer at one Department of Mental Health location, a responsibility rotated among department telephone operators. This employee said she was told they did not have to use the state contract, adding that it was more convenient to "go down the street" and procure the service. However, the individual procured a local contract with one of the statewide providers.

Conclusions

Agency personnel are using local providers "at will" and without any justification because Office of Administration officials have made it too easy to contract with local providers. This practice in turn, has negated the effectiveness and efficiency of statewide contracts for cellular telephone services. Organization personnel, some with little training or experience in procurement matters, have not followed state procurement guidelines when contracting with local providers. This practice has occurred because of the lack of guidance and monitoring of cellular telephone use by agency management.

Recommendations

We recommend the Commissioner, Office of Administration:

- 3.1 Ensure department officials issue comprehensive guidance on the procurement and administration of cellular telephones and provide training to agency personnel responsible for the administration of this service.
- 3.2 Strengthen oversight responsibilities by requiring compliance audits of agency procurement and administration activities related to cellular telephone services.

- 3.3 Strengthen mandatory use of statewide contracts by requiring agency officials to seek formal approval prior to contracting with local vendors for cellular telephone services.

Office of Administration Comments

- 3.1 *The Office of Administration will convene an interdepartmental work group to develop and recommend procedures for the use of cellular telephones. Based on the recommendation of the work group, the Commissioner will issue the procedures to executive agency officials.*
- 3.2 *The DPMM currently performs an audit function to monitor compliance with the delegation of authority issued to state agencies. The DPMM will evaluate the feasibility of adding cellular telephone services to our compliance monitoring function.*
- 3.3 *The DPMM is developing a new Request for Proposal for cellular telephone services. This audit recommendation will be taken into consideration during the development process.*

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

The overall objective was to determine whether agency officials effectively manage and oversee the procurement and use of cellular telephone services. Specific objectives included determining whether agencies (1) place employees in the most cost-effective cellular telephone plans, (2) monitor cellular telephone use, (3) adequately review cellular telephone billings, and (4) adequately oversee organization practices.

Scope and Methodology

The audit period included July 1, 1999, through June 30, 2000, which represented fiscal year 2000. Auditors focused on the Departments of Conservation, Mental Health, Public Safety, Social Services and Transportation.¹ The cellular telephone expenditures for these departments totaled \$1,778,830 and represented approximately 72 percent of total cellular telephone expenditures reported through the state's accounting system for fiscal year 2000. Table I.1 depicts expenditures for fiscal year 2000.

Table I.1: Department Expenditures for Fiscal Year 2000

Department Name	Fiscal Year 2000 Expenditures	Percent of Total
Transportation	\$722,068	29
Other State Entities/Agencies ²	\$354,530	14
Social Services	\$326,528	13
Public Safety	\$264,210	11
Conservation	\$243,822	10
Mental Health	\$222,202	9
Corrections	\$143,238	6
Natural Resources	\$112,470	4
Revenue	\$ 60,489	3
Miscellaneous ³	\$ 25,063	1
Totals	\$2,474,620	100

¹ An internal review of cellular telephones was completed by the Audit and Business Analysis Division of the Department of Transportation and released to its management on June 2, 2000. Rather than duplicate this work, we obtained the report and followed-up on the recommendations made by the internal auditors.

² Includes all other state entities that are not state departments and cellular telephone expenses of all other state agencies that are not separately identified.

³ Includes misclassifications and insignificant adjustments identified by state auditors.

APPENDIX I

To determine whether agency officials provided effective management and oversight, we obtained and reviewed the following:

- Applicable codes of state regulation that provide guidance to the Office of Administration on procurement.
- Applicable state statutes that govern state purchasing, including proper bidding procedures.
- Office of Administration procurement authority delegation procedures.
- Formal cellular telephone policies, if available, from all sixteen state agencies.
- Bid documentation including the Invitation for Bid and evaluation criteria for potential statewide cellular telephone service providers.
- Four statewide cellular telephone contracts with Southwestern Bell Wireless, Chariton Valley Wireless, Alltel Communications and United States Cellular.

A report of all fiscal year 2000 expenditures charged to the object code 2412, cellular telephone expenditures, from the state's centralized accounting system.

Based on state accounting system data, we selectively sampled invoices from 16 organizations within 4 departments and reviewed the organizations' policies and procedures for cellular telephones, if available. We selected seven organizations for further analysis as indicated in table I.2.

APPENDIX I

Table I.2: Listing of Department and Organizations Reviewed

Department Name	Organization Number	Organization Name
Conservation	2D&D	Design & Development ¹
Conservation	6230	Blind Pony Hatchery
Conservation	6995	Southwest Region
Conservation	6977	Central Region ¹
Conservation	6987	Southeast Region ¹
Conservation	6972	Northwest Region ¹
Conservation	6986	Northeast Region
Mental Health	F837	Fulton State Hospital
Mental Health	SI00	Sikeston Regional Center
Mental Health	M1CM/M56S	Marshall Habilitation
Mental Health	4803	Mental Retardation Developmental Disabilities—Certification Program ¹
Public Safety	2000	Office of the Director
Public Safety	2060	Missouri State Water Patrol ¹
Public Safety	4430	Office of Adjutant General—Communications
Public Safety	5345	Highway Patrol D Communication
Social Services	5401	Division of Family Services—St. Louis ¹

Note: ¹These organizations were further reviewed by obtaining usage data for a 12-month period from one of the statewide contract vendors.

Auditors conducted the audit at the Office of Administration in Jefferson City and conducted telephone interviews with agency personnel at various locations from the Departments of Conservation, Mental Health, Public Safety, and Social Services.

The audit was conducted in accordance with generally accepted government accounting standards.

BACKGROUND

The Division of Purchasing and Materials Management, within the Office of Administration, is responsible for the procurement of supplies, equipment and services for state departments.

Chapter 34 of the state statutes includes the applicable requirements for state purchasing as follows:

- Section 34.040, RSMo 2000 requires that all purchases, with some exceptions noted, in excess of \$3,000 shall be based on competitive bids. Furthermore, the statute indicates that for any purchase where the estimated expenditure shall be \$25,000 or over, the commissioner of administration shall advertise, post notice, solicit bids, and contract with the lowest and best bidder.
- Section 34.042, RSMo 2000 provides that when the commissioner of administration determines that the use of competitive bidding is not practical or not advantageous to the state, supplies may be procured by competitive proposals.
- Section 34.100, RSMo 2000 allows the commissioner of administration, when in the best interest of the state, to delegate the commissioner's procurement authority to individual departments.

The Code of State Regulations, Title 1, Office of Administration, Division 40, Purchasing and Materials Management, Chapter 1, Procurement; implements state statutes for purchasing. In addition, the Office of Administration adopted Agency Procurement Authority Delegation and Procedures to provide guidance over delegation of local procurement authority.

These procedures, in part, allow state agencies to award local contracts to vendors for "supplies" (supplies, materials, equipment, and contractual services), provided that state agencies do not procure:

- Supplies which are available on current agency, statewide, or blanket contracts, unless specifically allowed by the contract terms.
- Supplies for which the award of a single Local Purchase Contract has a total value of \$25,000 or more within a contract period which cannot exceed 12 months.

The guidance states that agencies may further delegate local purchase authority to its sub-agencies. However, state agencies and employees assigned responsibility to conduct procurement activities must be furnished with a copy of authority guidelines.

TABLE OF RESULTS—AGENCY CELLULAR TELEPHONE POLICIES

The following table identifies the seven state agencies that had cellular telephone policies and/or guidance and the nine agencies that did not during fiscal year 2000.

Table III.1: State Agency Results Regarding Existence of Cellular Telephone Policies

Department Name	Formal Cellular Telephone Policy
Department of Corrections	Yes
Department of Elementary and Secondary Education	Yes
Department of Health	Yes
Department of Mental Health	Yes
Department of Revenue	Yes
Department of Social Services	Yes
Department of Transportation	Yes
Department of Agriculture	No
Department of Conservation	No
Department of Economic Development	No
Department of Higher Education	No
Department of Insurance	No
Department of Labor and Industrial Relations	No
Department of Natural Resources	No
Department of Public Safety	No
Office of Administration	No

DEPARTMENTAL RESPONSES TO FACTS IN REPORT

Although the recommendations were directed to the Office of Administration, the following Departments provided responses addressing the facts presented in the report. Mental Health, Conservation, Public Safety, Social Services and Transportation provided the following responses.

Department of Mental Health

Comments were made to various parts of the audit report and are identified here by the captions in the audit report.

Organization personnel need to ensure that cellular telephone plans were cost - effective (page 2)

The Department believes that policies and procedures put into place to safeguard the use of cellular telephones were adequate at the time. However, the Department will initiate a review of current cellular telephone plan packages and will reassess the cost-effectiveness of each cellular telephone package at least annually. The Department will have a written cellular telephone policy in place, in lieu of separate facility and Central Office policies, by September 1, 2001, which will address the periodical review of plan packages.

Potential billing errors were not questioned by agency personnel (page 9)

We do not dispute that in the two instances cited, that the billing statements did not include detailed information. However, we do not agree that errors of this type are pervasive throughout the Department. We respectfully request this finding be removed. We will ensure that the written cellular telephone policy which the Department will have in place by September 1, 2001, will address the examination and authorization for payment of cellular telephone bills.

Personnel at several organizations did not ensure reimbursement of personal calls (page 11)

The Department believes that policies and procedures put into place to safeguard the use of cellular telephones were adequate at the time. However, the Department will initiate a review of current processes in place for the reimbursement of personal cellular telephone calls. The Department will have a written cellular telephone policy in place, in lieu of separate facility and Central Office policies, by September 1, 2001, which will address the identification of personal cellular telephone calls and the reimbursement for such calls.

APPENDIX IV

Other expenses were misclassified as cellular telephone expenses (page 11)

The Department agrees that a few very immaterial misclassifications errors occurred. The Department is working with the facility where the errors occurred to reclassify the expenses correctly. Due to the immateriality of the errors, we respectfully request this finding be removed from the final audit report.

Agency officials have not provided adequate guidance to organizations (page 13)

The Department believes that policies and procedures put into place to safeguard the use of cellular telephones were adequate at the time. However, the Department will initiate a review of current processes in place regarding the usage of state-funded cellular telephones. The Department will consider including the “essential elements” identified by the State Auditor’s Office in the draft report, in our written cellular telephone policy that we will have in place, in lieu of separate facility and Central Office policies, by September 1, 2001.

Office of Administration personnel have not reviewed procurement practices (page 15)

The Department believes that policies and procedures put into place for cellular telephones were adequate at the time. However, the Department will review current policies and procedures and consult with the Office of Administration for guidance in this area. This issue will be addressed in our written cellular telephone policy which we will have in place by September 1, 2001. In addition, the cellular telephone contracts were on site at the facility cited; however they were not readily available. Staff at the facility contacted the cellular service provider for copies of the contracts in an effort to provide the requested information as quickly as possible to the auditors.

Office of Administration personnel were not aware of the extensive use of local service providers (page 15)

The Department believes that policies and procedures put into place to safeguard the use of cellular telephones were adequate at the time. However, the Department will initiate a review of current processes and procurement practices for cellular telephones and consult with the Office of Administration for guidance in this area. This issue will be addressed by the Department in the written cellular telephone policy that will be in place by September 1, 2001.

State Auditor’s Comment

This audit report is intended to be a snapshot of cellular telephone management across many agencies, which make these issues material.

Department of Conservation

Thank you for your comments and findings on the cell phone report. The Department will take them under advisement as we review our current communication policy. As always, we are continually looking for ways to reduce costs.

Department of Public Safety (Adjutant General of the National Guard)

This is to provide a response to the information presented on delinquent cellular phone charges within the Office of the Adjutant General.

We would like the opportunity to explain the events that led up to the six months of invoices being paid at one time. For fiscal year 2000, National Guard Bureau (NGB) selected MCI as the carrier for the FTS2000 federal contract. The Missouri National Guard (MONG) participated at the direction of NGB. The transition began on October 1, 1999. All long distance charges to include cell charges were to be paid by NGB. MONG was directed to forward all statements to MCI. A point of contact was appointed at MCI and assigned to our account. From October through February statements were mailed to MCI. As of March 2000, none of the invoices had been paid by the FTS2000 carrier. After much discussion with NGB and the FTS2000 carrier, NGB agreed that the invoices could be paid by this agency. This agency requested the invoices be returned from the FTS2001 carrier and began preparing the invoices for payment.

We agree with the information presented in your draft report that the past due balances exist. We are working with a representative of the vendor to ensure the past due balances in question are expedited. We reviewed our financial records to determine if any of the past due balances were paid subsequent to the issuance of your report. Of the \$21,601 in past due balances, our office determined that checks had been issued for two of the payment cycles listed in the amount of \$8,560.82. In addition, the vendor's representative acknowledged receipt of \$951.51. The documents provided by the vendor indicated that an additional \$656.22 was received without instructions on which account it was to be credited.

a. Our records indicate that check number 5656303A, dated 01/24/01 was issued in an amount sufficient to cover four invoices received for the December payment cycle. We contacted the bank and were informed that the check in question had not cleared. A request for stop pay was submitted to our accounting department on April 12, 2001. In accordance with the Office of the Missouri State Treasurer, a replacement check will be issued upon receipt of an affidavit for a replacement check from the vendor. This process generally takes approximately 30 days to complete. It is estimated that a replacement check will be issued not later than the end of May 2001.

b. The invoices for the August 2000 payment cycle could not be located. Appropriate invoices were requested and received from the vendor. Payment will be included in this pay cycle. It is estimated that the check will be issued by mid May 2001.

APPENDIX IV

c. The invoices for the February 2001 payment cycle were received after the cutoff date and are included in the current payment cycle. It is estimated that the check will be issued by mid May 2001.

d. The records for the November 1999 payment cycle indicate that a check in an amount sufficient to cover the 9 invoices submitted that month. A copy of the cancelled check was requested on April 12, 2001. Upon receipt, it and copies of the invoices submitted with the original check will be provided to the vendor's representative.

e. The vendor's representative provided documents indicating that \$951.51 had been received and credited to three of the accounts identified. An additional \$656.22 has been posted but not credited to any particular account pending receipt of instructions on the appropriate account to credit.

This agency has used a combination of state and local cellular service providers in the past. The two local vendors used were Ameritech Cellular and Mid America Mobile Systems. Our units and personnel are located in areas that previously did not have adequate cellular service; therefore, it was necessary to utilize local vendors.

Corrective Action. A thorough review of all records relating to the payments in question was initiated and a line of communication was established with the vendor's representative to facilitate the resolution of all past due balances. In addition management control procedures were evaluated to determine if adequate procedures exist to reduce the possibility of past due payments.

a. As a result of the records review, it was determined that checks were issued for two of the payment cycles in question. One had cleared but the other had not. A copy of the cleared check and copies of the appropriate invoices will be provided to the vendor. A stop pay action was initiated on the other check. Upon receipt of the affidavit for a replacement check, a new check will be issued.

b. The communications channel established with the vendor's representative has served to speed up the reconciliation process. We are confident that we can resolve the past due balance issues to the vendor's satisfaction by not later than the end of May 2001.

c. The management control review resulted in additional control points in the payment process that should greatly reduce recurrences of past due balances. The new procedures include setting a suspense for all new accounts to ensure we are billed for new services and that payments are made within the appropriate payment cycle. For old accounts and for the second billing cycle of new accounts or new service, a review will be made of account records to ensure invoices were received and paid for the previous month. In addition, all open accounts missing an invoice for that month will be placed in suspense and the vendor will be notified. This procedure was implemented April 12, 2001. Follow up action on missing invoices for all open accounts will continue until resolved.

Department of Social Services

The following comments are in regard to findings made in the report.

Finding – Organization personnel need to ensure that cellular telephone plans are cost-effective. (page2)

Response –Agree

The Division of Family Services is in the process of implementing a shared cell phone policy. This will reduce costs by utilizing minutes on phones with time available. The division is also planning on conducting quarterly reviews of phone usage to ensure the most cost-effective plan is in place.

Finding – Division of Family Services personnel did not ensure cellular telephones were fully utilized (page 5)

Response – Partially Agree

Some of the cell phones are placed with Social Service Workers who need to have a cell phone for emergency situations but do not necessarily use on a day-to-day basis. The shared cell phone policy will also help to fully utilize minutes available on these phones.

Finding – Division of Family Services personnel did not ensure cellular telephones were fully utilized (page 5)

Response – Agree

The Division is putting into effect a 30-day suspension rule in addition to the logging system, which is being implemented. This will allow the Division to more effectively track cellular telephones to prevent loss and theft.

Finding – Division of Family Services personnel had no control of cellular telephones at one location (page 6)

Response – Agree

The Division of Family Services has created a cell phone manual with procedures and guidelines for cell phone usage and DFS staff is traveling around the state to educate key personnel. With new guidelines in place, the Divisions' ability to track cellular telephone usage will increase.

Finding – Agency officials have not provided adequate guidance to organizations (page 13)

Response – Partially Agree

The Division is in the final stages of development of a procedures and guidelines manual for cell phone usage. DFS personnel are providing on-site training to local offices around the state.

Department of Transportation

The report noted (on page 15) the findings of a departmental internal audit on cellular telephone use issued in June 2000. The department responded with an update on its progress in correcting these issues.

Most agencies have not monitored organization practices (page 14)

Response: Revisions to the current cell phone policy and procedures include a second review of the employee cell phone invoice by the employee's supervisor to check for proper reimbursement of personal calls.

Department of Public Safety (Missouri State Water Patrol)

The report states, "many State of Missouri employees incurred significant costs for cellular telephone calls that were not covered by individual plans under a statewide contract." The Missouri State Water Patrol was included in this portion of the report. We are aware that occasionally we have employees that will exceed their rate plan. On certain occasions this is the fiscally responsible alternative. If you have an employee who exceeds the plan one to three months in the year, it is still more cost-effective than raising the service plan to a more costly plan for 12 months.

It has always been the policy of the Missouri State Water Patrol to actively monitor the billing of cellular and all other on-going expenditures. Our fiscal employees constantly verify compliance to departmental guidelines and strive to utilize tax dollars in the most prudent and cost-effective manner.

We hope that this clarifies any concerns that you may have regarding the audit.